

Payments and gifts in the Māori community

This factsheet explains the tax treatment of payments or gifts in the Māori community for the purposes of income tax, GST and employing staff.

Organisations can receive many types of income, such as subscriptions, grants, subsidies, donations or koha, fees, raffle money and trading profits from selling assets.

Not all income is liable for income tax and not all goods and services attract GST. It's important to know when income tax and GST need to be paid, and when you should deduct PAYE if you employ staff.

When is income tax paid?

Most organisations are required to file yearly income tax returns unless they've received an income tax exemption.

Income tax is normally paid on income received by an organisation for its business activities, eg, rent received, advertising or sponsorship, interest or dividends, and hall or equipment hire. If you give someone goods or provide them with a service instead of using cash for payment, the value of the good or service is liable for income tax.

Your organisation may have to pay income tax depending on where the income is from. Fundraising is an example of this. Most fundraising activities are liable for income tax unless they're carried out entirely with your members and no outside persons are involved at any stage.

Income tax/GST on koha

Koha made voluntarily without the giver receiving a benefit, or material advantage, isn't liable for GST or income tax. This is determined on a case-by-case basis. Koha from a member of a marae isn't liable for GST provided the member doesn't benefit from it.

For more on koha go to www.ird.govt.nz (search keyword: koha).

When should GST be paid?

Any organisation involved in a taxable activity must register for GST if the turnover (including grants and subsidies) is over \$60,000 in any 12-month period.

Find out more about GST at www.ird.govt.nz/gst or view our factsheet *GST - do you need to register? (IR365)* and *GST guide (IR375)* under "Forms and guides".

Grants and subsidies

A grant or subsidy from government or a public authority is liable for GST. If you're GST registered include this in your GST return.

Payments in kind

Instead of money, sometimes payment is made by giving goods or providing services. You need to work out the GST on the market value of any goods or services received as payment and include this as an adjustment in your GST return.

Example

A Te Reo centre charges a fee for children to attend. A parent who can't pay the fee gives the centre fruit instead.

GST must be assessed on the market value of the food provided. If the value of the food is more than the amount of the fee payable, the extra would be an unconditional gift with no GST payable.

GST is not paid on unconditional gifts

If you're a non-profit body or charitable organisation you don't pay GST on unconditional gifts you receive or the sale of these gifts.

Money given by the Crown or a government department is not an unconditional gift.

Quick checklist

Example	GST applies	Income tax applies
Money given to bereaved family and/or marae at a tangihanga	No	No
Money given to bereaved family and/or marae at a hura kohatu	No	No
Koha to a marae for a building, meeting house or church costs	No	No
Donation to the marae by visitors attending a hui	No	No
Koha to a marae by a government department holding a hui. No fee charged, receipt is issued	Yes	Yes
Donation given by a tourist	No	No
A fee paid by tourists to stay on or be shown around the marae	Yes	Yes
Marae is hired out for a wedding	Yes	Yes
A fee to hold a conference on the marae	Yes	Yes
Fundraising activity carried out by the marae	Yes	Maybe

Do you have paid workers?

If you do then you may be an employer. Employers deduct PAYE from their employees' wages and pay this to us.

Our *First-time employer's guide (IR333)* will help you decide whether you should register as an employer. You may also find our pamphlet *Self-employed or an employee? (IR336)* helpful.

Payments in kind instead of wages

Payments for goods or services aren't always made with money. Some people are happy to accept labour, other goods, or other forms of payment in return for the amount owing.

If someone is working for you to pay off a debt, you're that person's employer. Although the employee isn't receiving wages, you'll still have to pay us PAYE on this person's behalf. PAYE must be calculated on the market value of the services being provided.

Example

An early childhood centre charges a fee for children to attend. If the fee isn't paid, the child wouldn't be able to attend.

A parent doesn't have the money to pay, so the centre lets the parent work for them instead. This means the centre becomes the parent's employer and must pay PAYE to us. The value of the fee is recorded in the wage records as net earnings.

If the centre allows the children to attend even if the fee isn't paid, the parent working at the centre is providing voluntary labour and no PAYE is payable.

Repaying worker's expenses

Generally, when a payment is given to repay a person for actual expenses incurred on behalf of the business, this isn't taxable and PAYE (or tax) doesn't have to be deducted. However, if the repayment is more than the actual cost, the excess is taxable.

Example 1

An employee travels to attend a hui and you pay for their actual petrol. This is a repayment and doesn't need PAYE deducted.

Example 2

A kaumātua, a retired fisherman, gives a talk to children at a kura about traditional Māori fishing customs and methods. The kura makes a payment to the kaumātua to cover actual travel costs.

As the payment is a repayment of actual travel expenses, tax doesn't need to be deducted. The kura and kaumātua should both keep proof of the costs and payment.

Example 3

A kuia on NZ Super helps at a community centre for two days a week. She doesn't want to receive any payment as it might affect her tax. The community centre wants to give her something for helping so they give her grocery vouchers instead.

The community centre must pay PAYE to us. The value of the vouchers must be recorded in the wage records as net earnings.

Casual or one-off payments to people

When someone does a particular job for you and there's no employer/employee relationship, you don't have to deduct PAYE from the payment. However, you may still need to deduct tax at a percentage rate set by legislation. If you're making these kinds of payments, see our *Employer's guide (IR335)* or the back of the *Tax code declaration (IR330)*, which will show you if you need to deduct tax and the rate to use.

Earnings after tax

For payments made "in kind", the goods or services given are considered a net payment to the person (ie, any tax has already been deducted). However, for normal salary or wages, PAYE is worked out on the *gross* pay. What the person gets in their hand is their *net* pay. So to deduct PAYE from the value of vouchers and the like, you need to work out the equivalent *gross* pay. If you'd like more information or help with the calculation, go to www.ird.govt.nz (search keywords: paye calculator) or see our *Employer's guide (IR335)*.



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Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

Online tools

"Tool for business" is an interactive tool that explains what you need to know about business tax. Go to www.ird.govt.nz (search keyword: tfb).

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